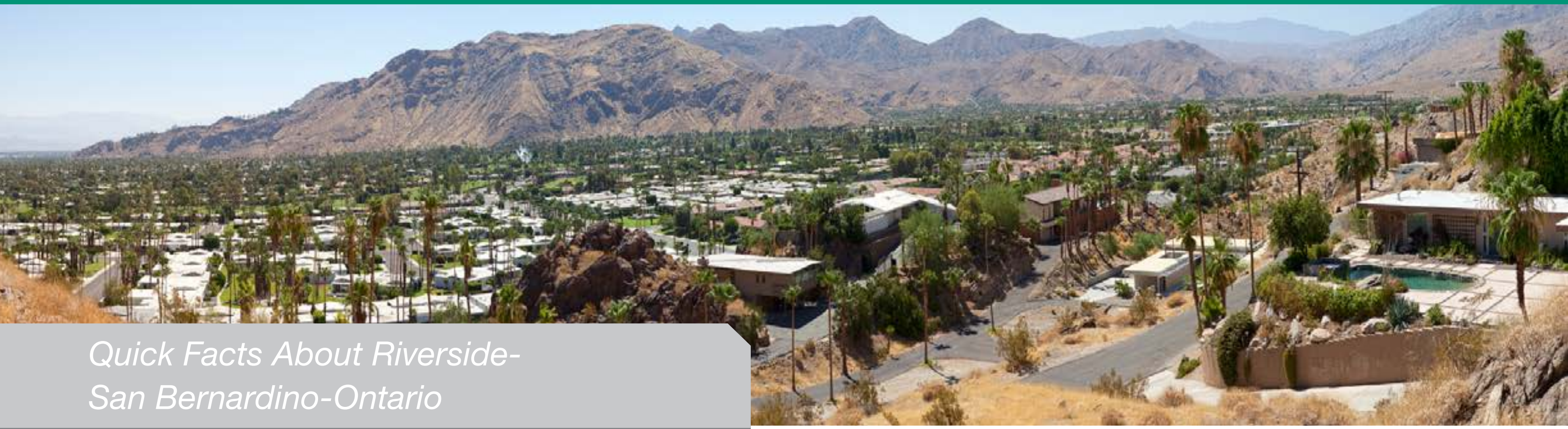
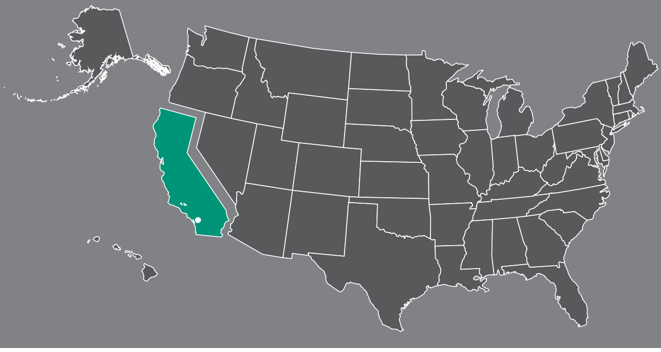
HUD PD&R Housing Market Profiles

Riverside-San Bernardino-Ontario, California



Quick Facts About Riverside-San Bernardino-Ontario

- **Current sales market conditions: balanced.**
- **Current rental market conditions: slightly soft.**
- **Known as the "Inland Empire," the metropolitan area is the largest in the state by geography, with a total land area of 27,350 square miles. Three U.S. military installations—the Fort Irwin National Training Center, the Marine Corps Air Ground Combat Center, and the Naval Air Weapons Station China Lake—comprise vast sections of San Bernardino County.**



By Pamela Leong | As of March 1, 2014

Overview

The Riverside-San Bernardino-Ontario (hereafter, Riverside) metropolitan area, along the California border with Nevada and Arizona, comprises Riverside and San Bernardino Counties. Formerly the less populous of the two counties, Riverside County surpassed San Bernardino County in 2006 and now has 52 percent of the total population in the metropolitan area. San Bernardino County is the largest county by land area in the state but is substantially undeveloped. The federal government manages approximately 40 percent of San Bernardino County as preserves or for military training and testing.

- As of March 1, 2014, the estimated population of the Riverside metropolitan area was 4.36 million, an increase of 35,700, or 0.8 percent, annually since April 1, 2010.
- From April 1, 2000, to April 1, 2010, the metropolitan area was the fastest growing metropolitan area in the state when the population increased by 97,000, or 2.6 percent, annually. During the years of strong employment growth before 2007, net in-migration—especially from Los Angeles, Orange, and San Diego Counties—accounted for 88 percent of the average annual population gain of 119,600 people, or 3.4 percent, from July 2000 to July 2006.
- Since 2010, net in-migration has averaged 1,075 people annually, accounting for only 3 percent of the total population increase, primarily because of out-migration from the San Bernardino County portion of the metropolitan area.

Recent job gains in the Riverside area occurred in all but two nonfarm payroll sectors.

	3 Months Ending		Year-Over-Year Change	
	February 2013 (thousands)	February 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,208.7	1,249.9	41.2	3.4
Goods-producing sectors	152.8	157.8	5.0	3.3
Mining, logging, and construction	66.6	71.1	4.5	6.8
Manufacturing	86.2	86.7	0.5	0.6
Service-providing sectors	1,055.9	1,092.1	36.2	3.4
Wholesale and retail trade	220.2	226.4	6.2	2.8
Transportation and utilities	77.3	81.0	3.7	4.8
Information	11.4	11.2	– 0.2	– 1.8
Financial activities	41.7	42.1	0.4	1.0
Professional and business services	127.2	135.5	8.3	6.5
Education and health services	177.8	185.6	7.8	4.4
Leisure and hospitality	133.4	142.4	9.0	6.7
Other services	39.9	39.5	– 0.4	– 1.0
Government	227.0	228.3	1.3	0.6
	(percent)	(percent)		
Unemployment rate	11.0	9.2		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

Economic conditions in the Riverside metropolitan area have improved since late 2010, as reflected by growth in nonfarm payrolls.

During the 3 months ending February 2014—

- Approximately 61 percent of the total nonfarm payroll gains originated in the leisure and hospitality, professional and business services, and education and health services sectors, which accounted for only 37 percent of all nonfarm payrolls.
- The government and the wholesale and retail trade sectors are the two largest sectors by employment, each with 18 percent of total payrolls. Job gains in the government sector occurred primarily in the local government subsector, which was up by 1,475 jobs, or 0.8 percent.
- The Marine Corps Air Ground Combat Center (MCAGCC) is the largest military facility by number of personnel in the metropolitan area. In total, the Department of Defense accounted for 30 percent of the civilian federal government payrolls in the metropolitan area.

The wholesale and retail trade sector is expected to continue growing, because Amazon.com Inc. is constructing a 1.2 million-square-foot logistics center in Moreno Valley that is anticipated to open in late 2014. Amazon currently operates a similar facility in the city of San Bernardino that employs 1,400 people.

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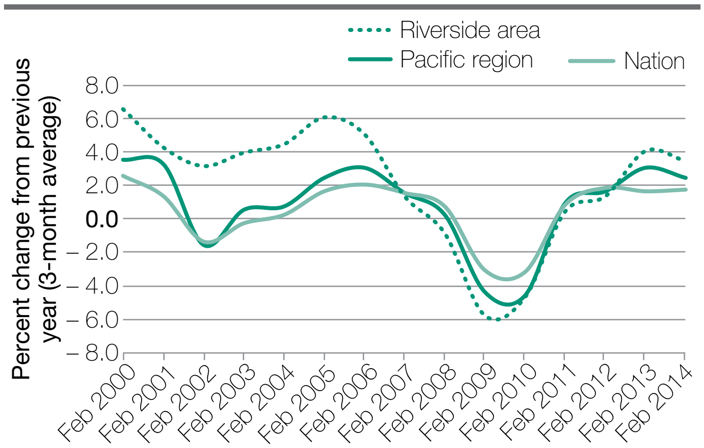
Since early 2013, nonfarm payroll increases in the Riverside area have exceeded the rates for the Pacific region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest private employers in the Riverside area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente®	Education and health services	5,000+
Restoration Technologies, Inc.	Other services	5,000+
Stater Bros. Markets	Wholesale and retail trade	5,000+

Source: America's Labor Market Information System Employer Database 2014, 2nd edition

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The leisure and hospitality sector is the fourth largest sector in the metropolitan area, providing 11.3 percent of all nonfarm payrolls. Native American tribes operate 11 casinos in the metropolitan area, one-half of which include hotels, restaurants, and spa services. Each of the 4 largest casino resorts has at least 1,000 employees.

In September 2013, Pechanga Resort & Casino, the largest of the 11 casinos, began a renovation project that added 300 construction jobs. On March 31, 2014, the Twenty-Nine Palms Band of Mission Indians will open its second facility, the boutique Tortoise Rock Casino, which will employ 160 people.

Sales Market Conditions

The sales housing market in the Riverside metropolitan area is balanced, with an estimated sales vacancy rate of 2.3 percent, a decrease from 3.5 percent in 2010. During the 12 months ending January 2014, sales of new homes increased 1 percent, to 5,450 homes, compared with the 5,375 homes sold during the preceding 12-month period (CoreLogic, Inc.). The average new home sales price increased 16 percent, to $380,800. Sales of existing homes declined 5 percent, to 66,050 homes, compared with the 69,500 homes sold during the preceding 12-month period. The average existing home sales price rose 20 percent, to $263,700, reflecting improving conditions as the number of regular existing home sales increased while distressed home sales, which include REO (Real Estate Owned) sales and short sales, simultaneously declined.

During the 12 months ending February 2014—

- Nearly 70 percent of the new homes sold in the metropolitan area were in Riverside County. Sales activity declined 3 percent in Riverside County and rose 4 percent in San Bernardino County, and the average price of new homes sold increased 17 percent in the former and 15 percent in the latter.
- Approximately 40 percent of all existing home sales were in Riverside County. Sales declined 6 percent in Riverside County and 4 percent in San Bernardino County, but the average sales price increased 17 percent in Riverside County and 15 percent in San Bernardino County as foreclosure activity declined.
- Distressed sales comprised 24 percent of all existing home sales in the metropolitan area, down from 44 percent in the previous 12-month period. The average sales price of an REO home was $203,500 and the average sales price of a short sale was $217,900, 24 and 18 percent less, respectively, than the average sales price of a regular existing home.
- The percentage of home loans in the metropolitan area that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status declined from 6.6 percent in February 2013 to 3.9 percent in February 2014 (CoreLogic, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the 3 months ending February 2014 in response to rising sales prices in the Riverside metropolitan area.

- During the 3 months ending February 2014, permits were issued for 1,475 single-family homes, up 9 percent from the 1,350 homes permitted during the same 3-month period in 2013 (preliminary data). Nearly 70 percent of the homes permitted were in Riverside County, a ratio that has been consistent since 2000.

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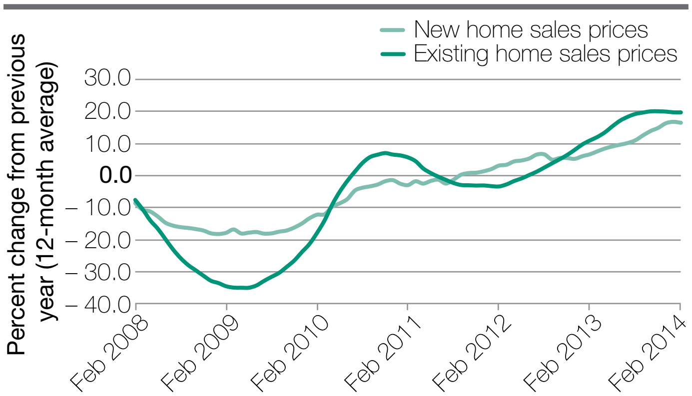
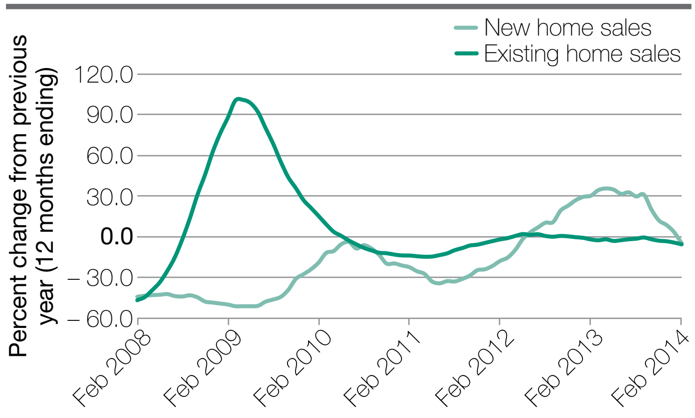
New home sales prices in the Riverside area began to recover in late 2011, 1 year before existing home sales prices began to improve.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Existing home sales in the Riverside area have been relatively stable since 2012, and new home sales continued to increase, albeit at a lower rate.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

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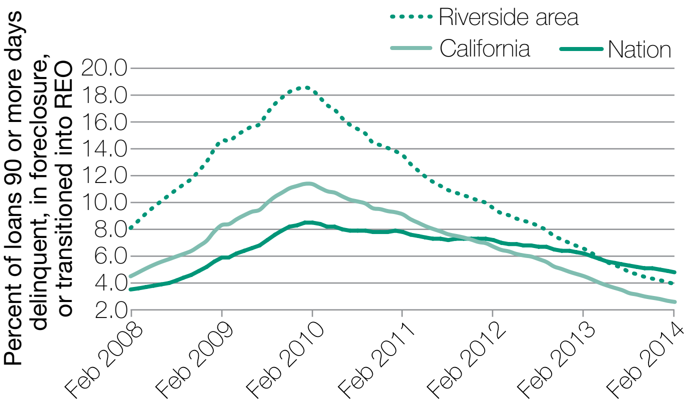
- Single-family building activity averaged 4,775 homes permitted annually from 2008 through 2012, substantially below the levels from 2001 through 2007, when an average of 32,550 single-family homes were permitted annually.

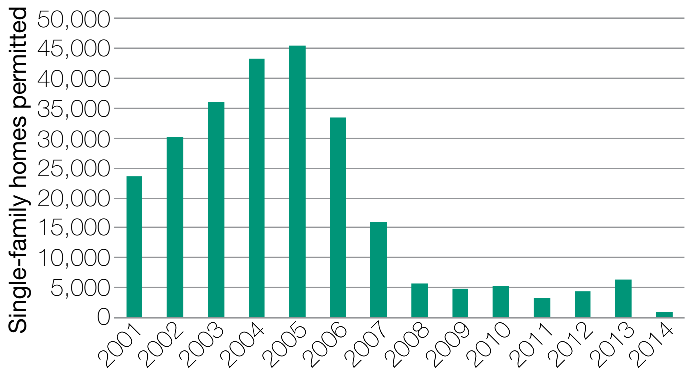
The distressed mortgage rate in the Riverside area has consistently exceeded the statewide average but has fallen below the national level.



REO = Real Estate Owned.
Source: CoreLogic, Inc.

- Among the largest master-planned communities under construction are three active-adult communities with 5,725 approved lots that Del Webb began in 2003. Sun City Apple Valley has completed 74 percent of its 1,725 planned homes, which have an average sales price of $214,100 (Metrostudy, A Hanley Wood Company).

Single-family permitting in the Riverside area increased recently but remained below the levels from 2001 through 2007.



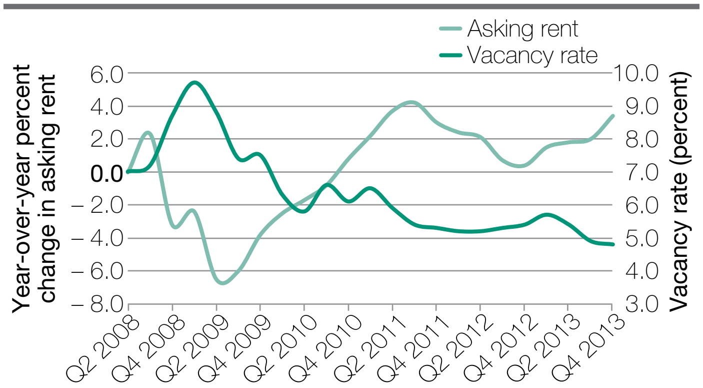
Note: Includes preliminary data from January 2013 through February 2014.
Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

Conditions in the rental housing market in the Riverside metropolitan area are slightly soft but have improved since 2010 because fewer single-family homes moved into the rental housing inventory, multifamily development decreased, and employment increased.

- As of March 1, 2014, the estimated vacancy rate for all rental units (which include single-family homes, townhomes, multifamily units, and mobile homes) was 7.6 percent, down from 9.1 percent in April 2010.

Recovering employment conditions since 2011 have led to rising apartment rents and declining vacancy levels in the Riverside area.



Source: MPF Research

- Mostly because of foreclosed homes purchased and rented by investors, an estimated 10,000 single-family homes entered the rental stock annually from 2008 through 2013.
- The apartment market, which provides homes for about 34 percent of all renter households in the metropolitan area, is balanced, with a 4.8-percent vacancy rate in the fourth quarter of 2013, down from 5.4 percent in the fourth quarter of 2012 (MPF Research). The average monthly apartment asking rent increased $25, or 2.5 percent, to $1,100 during the same period.

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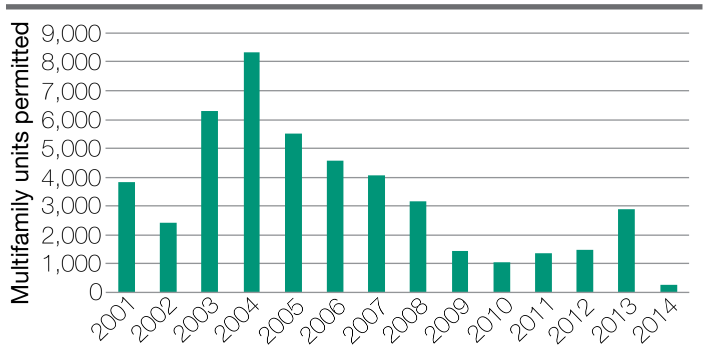
Builders have responded to improving rental market conditions in the Riverside area by increasing multifamily production since 2013.



Note: Includes preliminary data from January 2013 through February 2014.
Source: U.S. Census Bureau, Building Permits Survey

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- Bordering the employment centers in Los Angeles County, the MPF-defined market area of Ontario/Chino has one of the strongest apartment markets in the metropolitan area, with a 3.4-percent vacancy rate, down from 4.3 percent the previous year, and with an average rent of $1,300, up 2.6 percent.
- The MPF-defined market area of Victorville/Outer San Bernardino began to stabilize after MCAGCC completed bachelor housing for 1,150 personnel in April 2011 and an additional 380 personnel in November 2013. The vacancy rate was unchanged, at 9.4 percent, and the average rent increased nearly 2 percent, to $790, during the fourth quarter of 2013.

Multifamily construction activity, as measured by the number of multifamily units permitted, decreased in the Riverside metropolitan area during the 3 months ending February 2014, even though rental market conditions improved.

- During the 3 months ending February 2014, approximately 500 multifamily units were permitted, a 14-percent decrease compared with the 580 units permitted during the same 3-month period in 2013 (preliminary data), which was the highest level since 2008.
- By comparison, multifamily permitting activity was consistently low, averaging 1,325 units annually, from 2009 through 2012.
- An estimated 2,350 multifamily rental units are under construction in the metropolitan area; 48 percent of the units are in Riverside County and 52 percent are in San Bernardino County.
- Construction of approximately 650 new market-rate conventional apartment units is under way in Riverside County. The 290-unit The Vineyards at Paseo del Sol in Temecula is anticipated to open in July 2014, and Oak Spring Ranch will offer 310 units in Wildomar beginning in December 2014.
- Nearly 700 market-rate conventional apartment units are under construction in San Bernardino County. Homecoming at the Preserve in Chino is planning to open in July 2014 with 300 units, and The Paseos at Montclair North will offer 390 units in Montclair starting in October 2014.